

Michael P. Morris, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: JANUARY 17, 2008

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

Michael P. Morris
John Ferry
James Lee
Michael Brown
Dan Lofgren
Gayle McKeachnie

STAFF

Kevin S. Carter
Dave Hebertson
Kim Christy
John Andrews
Tom Faddies
Tom Mitchell
Doug Buchi
Lisa Schneider
Rodger Mitchell
Ron Carlson
Eric Baim
Kyle Pasley
LaVonne Garrison
Kurt Higgins
Rick Wilcox
John Blake
Noah Steele
Lynda Belnap

OTHERS IN ATTENDANCE

Margaret Bird, State Office of Education
Paula Plant, State Office of Education
Karen Rupp, State Office of Education
Natalie Gordon, Utah State PTA
Charles Evans, University of Utah
Bruce Hinckley, State Office of Education
Tim Donaldson, State Office of Education
Ben Rogers
Robert Franson
Alan Gardner, Washington County Commission
Brenda Rurdlesback, PTA
Cody Deeter, Lewis Young Robertson Burningham (LYRB)
Jason Burningham, LYRB
Michael LaPier, St. George City

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Chairman Morris welcomed Board members, Staff, and guest to the meeting.

1. Approval of Minutes (Mark 13)

Mr. Lee had a question regarding a paragraph in the amendment to the Ivory lease, which was talked about in November. He didn't feel the lease amendment and the minutes could be reconciled. After some discussion of this issue, Mr. Lofgren indicated the intent was that we were accepting a short payment today, with the hope that it will be returned some time down the road when the market recovers. Mr. Morris indicated that, if we remove annual reconciliations and leave in final reconciliation, it gets to the point of what he thinks the Board agreed to. Director Carter noted that Staff will recraft the paragraph in the amendment and circulate it to the Board before sending it out. The Board can then send comments to the Staff. Staff will provide the entire lease to those Board members who desire a copy of it.

Ferry / Lee. Unanimously approved.

"I move we adopt the minutes of November 29, 2007, as written."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. McKeachnie - - yes	Mr. Morris - - yes

2. Confirmation of Upcoming Meeting Dates (Mark 14)

The Board, without motion, confirmed the following upcoming meeting dates:

February - - No meeting
March 20 - - Salt Lake City
April 11 (changed from April 10) - - Salt Lake City

3. Chairman's Report (Mark 14)

a. Beneficiary Report

Ms. Rupp noted that the Nominating Committee is looking for someone knowledgeable in hard-rock minerals. She asked the Board members to get any suggestions to her soon. They will take suggestions of names even though they may not have the minerals background.

Ms. Bird updated the Board on the Constitutional amendment they are pushing this year, which will exempt the prohibition of the permanent fund subscribing to stock. She also noted there are three bills this year that would affect the school community councils.

Ms. Bird also noted that she feels it would be helpful if we could get some Staff, beneficiaries, and Board members to develop certain key information that the beneficiaries would like to be presented on a regular basis so that we could look at Development projects and see how they are doing. She would like for the Board to consider putting together this type of a committee. After some discussion on this issue, Chairman Morris suggested that Ms. Bird define this as an objective for consideration in next year's objectives.

b. Report From Audit Committee

Chairman Morris reported that the Audit Committee met this morning before Board meeting. He discussed with the Board the makeup of the committee, its meeting schedule, the at-will status of the audit manager, etc. He has asked the Director to consult with our legal counsel with regard to how the Board interacts with respect to employment activity and continued employment as to whether the Board may have a say on issues such as termination. Mr. Andrews noted that, if it goes beyond a consultation, it will require a statute change. The Board could have a policy that directs the Director to not take termination action without consultation with them. Chairman Morris noted that the Board committee members, Mr. Carlson, and Ms. Schneider also met privately on some issues. This type of discussion can prompt things that need a deeper look. The Audit Committee charter is being amended and was given to the Board for its review and approval at its next meeting.

3. Chairman's Report (Mark 14) (cont'd)

c. Proposed Policy on Real Estate Transactions - - Policy 2008-01 (Mark 15)

The Board has considered this policy previously (under number 2007-02). The amended policy was given to Staff. With some minor modifications (incorporated below), the policy was approved as follows:

*The Board of Trustees
of the
School and Institutional Trust Lands Administration*

☒ *New Policy* ☐ *Amends Policy No. _____* ☐ *Repeals Policy No. _____*

Policy Statement No. 2008-01

*Subject: Real Estate Development on
Trust Lands*

The Board of Trustees of the School and Institutional Trust Lands Administration met in open, public session on January 17, 2008, and by majority vote declares the following to be an official policy of the Board.

In furtherance of the policies set forth in Policy Statement No. 2006-03 and pursuant to 53C-1-201(5)(a) and 53C-1-204(1)(a) of the School and Institutional Trust Lands Management Act ("Act"), the Board of Trustees ("Board") believes it is desirable and prudent to establish a policy governing the procedures for the oversight of Development Program transactions by the Board.

The Board acknowledges that the Director is: (i) vested with broad authority to enter into Development Program transactions pursuant to, among other provisions, 53C-1-302(1)(a)(i) and 53C-1-303(4)(d) of the Act; (ii) required to obtain Board approval of joint venture transactions and other business arrangements pursuant to 53C-1-303-(4)(e) of the Act; and (iii) required to inform the Board of the Administration's activities pursuant to 53C-1-303(1)(k) of the Act. In order to assist the Director in fulfilling his/her obligations under the foregoing, the Board adopts the following policy regarding informing the Board and, where required, obtaining the Board's approval of Development Program transactions.

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3. Chairman's Report (Mark 14) (cont'd)

c. Proposed Policy on Real Estate Transactions - Policy 2008-01 (Mark 15) (cont'd)

1. Pursuant to the Act, the Director has broad authority to manage Trust assets and enter into transactions that comply with the requirements of the Act, provided, however, 53C-1-303(4)(e) of the Act requires Board approval of joint ventures and "other business arrangements". The Board finds that the term "other business arrangements" shall mean transactions which have substantially similar or greater risks as joint ventures and in which a material portion of the anticipated return to the Trust is contingent on the economic performance of the ultimate development of the Trust property. The agency's standard non-subordinated "development lease" is not considered an other business arrangement.

The Director shall adopt procedures for the Board's approval of joint ventures ("JV") and other business arrangements ("OBA") consistent with the foregoing criteria.

2. Development Program transactions present different levels of risk, with JV's and OBA's typically involving greater risk than other types of transactions. The Board believes that its review process should be proportional to the potential risk and should take into account the value of the Trust assets committed in a transaction and distinguish between JV's and OBA's and other types of transactions. To that end, the Administration shall adopt procedures to categorize proposed transactions as either "Major Transactions" or "Minor Transactions" applying the following criteria:

a. A "Minor Transaction" shall be:

- I. a transaction which is not a JV or OBA and which involves Trust assets (including the value of Trust property and capital commitments by the Trust) valued in an amount equal to or less than Five Million Dollars (\$5,000,000); or
- II. a transaction which is a JV or OBA and involves Trust assets (including the value of Trust property and capital commitments by the Trust) valued in an amount equal to or less than Two Million Dollars (\$2,000,000.)

3. Chairman's Report (Mark 14) (cont'd)

c. Proposed Policy on Real Estate Transactions - Policy 2008-01 (Mark 15) (cont'd)

b. A "Major Transaction" shall be:

- I. a transaction which is not a JV or OBA and which involves Trust assets (including the value of Trust property and capital commitments by the Trust) valued in an amount greater than Five Million Dollars (\$5,000,000);
- II. a transaction which is a JV or OBA and involves Trust assets (including the value of Trust property and capital commitments by the Trust) valued in an amount greater than Two Million Dollars (\$2,000,000).

3. With regard to all transactions, the Administration should conduct an appropriate public advertising program designed to effectively solicit interested parties for each transaction and conduct appropriate due diligence with respect to the ownership, financial capacity, and character of its development partners, which shall include investigation into credit and financial capacity, business background, litigation and bankruptcy history, and other relevant factors. The Administration shall maintain this information in its files.

4. With regard to Minor Transactions, the Administration shall adopt procedures for advising the Board, which procedures shall require, at a minimum, the following:

- a. The Administration shall deliver to the Board, in a consistent written format, key information about the Minor Transaction, including a summary of: (i) the economic analysis of the transaction; (ii) the competitive/advertising process used in soliciting offers for the transaction; (iii) a declaration of any conflicts of interest for staff with any interested parties; (iv) a list of key components of the transaction; and (v) all parties and any relevant background information regarding such parties derived from the Administration's due diligence activities described in Paragraph 3 above.
- b. If such Minor Transaction is not a JV or OBA, such matter shall be placed on the consent agenda for the next Board meeting for informational purposes and to allow an opportunity for the Board to comment on the transaction and/or provide guidance to the Director for future transactions.

3. Chairman's Report (Mark 14) (cont'd)

c. Proposed Policy on Real Estate Transactions - Policy 2008-01 (Mark 15) (cont'd)

- c. If such Minor Transaction is a JV or OBA, thereby requiring Board approval, such matter shall be placed on the consent agenda for the next Board meeting. Any member of the Board may request a review, discussion, and vote on such proposed transaction by the Board at such meeting. If no such review is requested, the proposed transaction shall be approved or rejected as part of the consent agenda at such meeting. If approved by the Board, the Administration shall be authorized to enter into binding agreements for the proposed JV or OBA on the terms so approved and in compliance with the requirements of the Act.

5. With regard to Major Transactions, the Administration shall adopt procedures for the review and approval of such transactions by the Board, which procedures shall materially conform with the following:

- a. The Administration shall make an initial presentation to the Board, which presentation shall contain key information about the proposed transaction, including:
- (i) an executive summary of the Administration's perception of the values involved in the transaction;
 - (ii) a discussion of the financial and other goals of the transaction;
 - (iii) an analysis of the determination of timeliness of the transaction;
 - (iv) the structure or structures if more than one is proposed for the transaction selected by the Administration;
 - (v) a discussion of the competitive processes that the Administration intends to use in soliciting proposals;
 - (vi) financial requirements of parties demonstrating the capability to complete the project; and
 - (vii) known political issues with proposed solutions.

The Administration shall solicit Board input on the proposed transaction and the Board's concurrence with moving forward to finalize the proposed transaction.

3. Chairman's Report (Mark 14) (cont'd)

- c. Proposed Policy on Real Estate Transactions - Policy 2008-01 (Mark 15) (cont'd)
- b. Subject to concerns expressed by the Board at the initial presentation, the Administration may, in its discretion, continue to pursue proposed transaction, including, among other things, conducting a competitive process to obtain proposals for the transaction, selecting one or more proposals and negotiating the key terms of the proposed transaction.
- c. After selecting a proposal, the Administration shall make a second presentation to the Board which includes:

 - (i) a summary of the key terms of the transaction;
 - (ii) a description of the parties to the proposed transaction with all relevant background information about the parties derived from the due diligence activities described in Paragraph 3 above.
 - (iii) a projected financial pro forma of the transaction;
 - (iv) a summary of the competitive process(es) and advertising efforts used in selecting a proposal;
 - (v) the minimum financial criteria that will be conditions to the completion of the transaction; and
 - (vi) a declaration of any conflicts of interest for staff with any interested parties.
- d. If such matter is a JV or OBA, thereby requiring Board approval, such matter shall be voted on by the Board. If approved by the Board, the Administration shall be authorized to enter into binding agreements for the proposed JV or OBA on the terms so approved and in compliance with the requirements of the Act.
- e. If such matter is not a JV or OBA and provided the Board has not specifically directed the Administration to terminate the proposed transaction, the Administration shall be authorized to enter into binding agreements for the proposed transaction on the terms so approved and in compliance with the requirements of the Act.
- f. Notwithstanding the foregoing, with respect to Major Transactions which do not involve a JV or OBA and where all relevant material information regarding the proposed transaction is available, the Administration may make at least one presentation to the Board regarding the proposed transaction.

3. Chairman's Report (Mark 14) (cont'd)

c. Proposed Policy on Real Estate Transactions - Policy 2008-01 (Mark 15) (cont'd)

- g. The Administration shall provide the Board with updates on Major Transactions which have been reviewed or approved by the Board within six (6) months of such review or approval.
6. With respect to references in this Policy Statement to "competitive processes" or similar terms, the Board acknowledges that in certain circumstances with regard to certain types of lands, conducting a competitive process for the disposition of the property may not be appropriate nor in the best interest of the Trust. Some examples of such circumstances include, without limitation, exchange of property (when such exchanges further other goals with adjoining trust lands), sale to governmental entities when appropriate and in the best interest of the Trust (i.e., project parks, fire and safety such as firehouses and police stations, etc.), and sales of conservation properties when needed to further development of adjoining properties. In such instances, the Administration shall not be required to conduct a competitive process, but rather shall advise the Board of such instances and the Administration's rationale for such determination in advance of any such transaction.
7. In order to more efficiently conduct the Board oversight of Development Program transactions, the Board may, pursuant to 53C-1-204(9)(a)(i) of the Act, create a committee consisting of not less than one (1) member of the Board and such other members of the Administration and/or the public as is appropriate for the task of reviewing submittals concerning Development Program transactions and making recommendations to the Board. In such event, any submittals and presentations required to be made to the Board in connection with any Development Program transaction as described herein may be made to such committee.

Lee / Ferry. Unanimously approved.

"I move that in Paragraph 3 we change "may" to shall" and that we remove the last sentence in that paragraph and approve Policy 2008-01 as amended."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. McKeachnie - - yes	Mr. Morris - - yes

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4. Director's Report (Mark 16)

a. Director's Update on Issues

The Director updated the Board on the following items:

- * Fee Waiver Report
- * WSLCA Meeting
 - * Alternative Energy
 - * Sovereign Land Redefinition
 - * Land Exchange Concepts
- * APPLE Proposal
 - * Commissioner Alan Gardner
- * South Block Concept

Mr. Alan Gardner briefed the Board on the APPLE proposal. After some discussion, the Board expressed its support of the concept.

Lofgren / McKeachnie. Unanimously approved.

“I move that we acknowledge the role of the Board in this and that we ask the Staff to discuss supporting the APPLE proposal issue with the Attorney General and report back to the Board at its next meeting.”

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. McKeachnie - - yes	Mr. Morris - - yes

The Board went into closed session for the discussion of real estate values on the South block concept.

Ferry / Lee. Unanimously approved.

“I move we go into closed session for the discussion of real estate values.”

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4. Director's Report (Mark 16) (cont'd)

a. Director's Update on Issues (cont'd)

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. McKeachnie - - yes	Mr. Morris - - yes

The Board went into closed session at 10:45 a.m. Those in attendance were Board members, Kevin Carter, Doug Buchi, and John Andrews. The Board returned to open session at 11:07 a.m.

b. Update on Legislative Issues

The Director briefed the Board on the following legislative issues:

- * Appropriation Subcommittee
 - * Visits prior to session
 - * Pre-session meeting - - Audit presentation
 - * Appropriation Perspectives
- * Other Legislation
 - * Water legislation
 - * Government competition
 - * Rulemaking modifications

c. Associate Director's Report (Mark 17)

I. Update on Land Exchange

Mr. John Andrews updated the Board on the status of the land exchange with the Federal Government. There are meetings going on and political issues trying to be solved that seemed to have stalled the exchange.

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4. Director's Report (Mark 16) (cont'd)

d. Block Planning Report (Mark 18)

Mr. Burton updated the Board on the current status of blocks that have been planned; i.e., I-80 Block, Cinnamon Creek Block, St. John Block, TAD Block, Tabby Mountain Block, and Spanish Valley Block.

I. Update on Crescent Junction Block

Mr. Burton briefly discussed the planning of the Crescent Junction Block. Water is a big issue on this block. Now seems to be a good time to get water to this area. There also might be a trespass issue at the rest stop in this area. The Director noted we will look into this in completing the plan.

e. Surface Group Report (Mark 20)

I. Report on FY 2008 Objective F(i) - - Report Analyzing Current Practice of Setting an Annual Revenue Target

Mr. Christy discussed the progress of this incentive with the Board. He explained how the sale levels have been set and asked if it is now prudent to maintain a revenue goal on sales? He recommended to the Board that the \$3 million level is not prudent to maintain. Director Carter noted that Management Team generally felt like having a target level was obsolete. Ms. Bird stated she feels it makes a lot of sense to give the agency the flexibility needed. She would like to see the agency sell land with a reversion clause in it that would give us a percentage rate if that land is resold. After some discussion, the Board generally felt that we should not have a floor or ceiling, but let Staff use their judgment in how much land is sold.

Lee / Ferry. Motion passed.

"I move that we remove the \$3 million requirement and let Staff evaluate property to sell."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - no
Mr. McKeachnie - - yes	Mr. Morris - - no

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4. Director's Report (Mark 16) (cont'd)

e. Surface Group Report (Mark 20)

I. Report on FY 2008 Objective F(i) - - Report Analyzing Current Practice of Setting an Annual Revenue Target (cont'd)

Chairman Morris suggested that Staff send a packet to the Board of lands proposed for sale before they are sold. Mr. Christy stated Staff will give the Board several months' notice before they are put on the market.

II. Report on FY 2008 Objective F(ii) - - Update on Re-evaluation of the Procedure Used to Bring Lands to Market (Mark 19)

Mr. Christy discussed this issue with the Board through a power-point presentation as follows:

- * Why properties are selected for sale
 - * Convert underproducing assets to cash
 - * Return optimum values for surface assets
 - * Dispose of assets with extraordinary costs
 - * Establish market values for comparable land valuations
 - * Complement and enhance market conditions for other Trust assets
 - * Respond to community needs/requests
- * Properties not sold when:
 - * Appreciating at rate greater than anticipated return from investment on principle
 - * No evidence of competitive market interest
 - * Conflict with mineral development
 - * Future development or management options would likely result in greater long-term economic benefit
- * Methods of Sale
 - * Negotiated sale
 - * Competitive sale - - public auction

This was for information to the Board at this time.

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4. Director's Report (Mark 16) (cont'd)

f. Minerals Group Report

Mr. Faddies noted this discussion would be proprietary in nature and requested that the Board go into closed session.

Ferry / Lofgren. Unanimously approved.

"I move that the Board go into closed session for the discussion of proprietary information."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. McKeachnie - - yes	Mr. Morris - - yes

The Board went into closed session at 1:25 p.m. Those in attendance were Board members, Kevin Carter, John Andrews, John Blake, Ron Carlson, Lisa Schneider, Lynda Belnap, Charles Evans, Paula Plant, Bruce Hinckley, and Margaret Bird. The Board returned to open session at 1:49 p.m.

g. Development Group Report

I. St. George Airport Land Acquisition (Mark 21)

Mr. Buchi discussed this issue with the Board. He introduced Mr. Michael LaPier, the airport project manager, and Jason Burningham, of Lewis Young Robertson Burningham, financial advisor to the city. Mr. LaPier gave the Board some background information on the project. They are trying to purchase five parcels of trust lands for the project at a price of \$16,330,000 (approximately \$60,700/acre). Private landowners were receiving approximately \$72,000/acre for their land. Mr. Burningham addressed the project financing. The Board discussed this at some length. There are some legal issues to be worked out on how the land would be purchased and paid for.

Mr. Lofgren declared a potential conflict of interest, as his firm has been invited to participate in an adjoining development.

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4. Director's Report (Mark 16) (cont'd)

g. Development Group Report (cont'd)

I. St. George Airport Land Acquisition (Mark 21) (cont'd)

Chairman Morris noted there is a strong desire on the Board's part to help St. George City figure this situation out and make it happen. However, the Board has to make sure the interests of its beneficiaries are served. The Board asked why school trust lands are subsidizing the project by being paid less for its land?

After much discussion, the parties generally felt like they needed to have more discussion with the City to see what their options are. Mr. McKeachnie suggested that they ask the city attorney if they are ready to give an opinion on whether they are willing to pledge city monies without doing a bond election? The Board is also interested in whether the City of St. George has done a memorandum on whether the city has the authority to condemn trust lands. Mr. LaPier noted that the blanket condemnation authority for the land does not include trust lands. Board members are anxious to get the airport, but we need to do it in a fair way and within their fiduciary duty.

Chairman Morris appointed a committee of Board members to work on this issue and try to work through some of the problems. Mr. Ferry will chair the committee. Other members will be Mr. Lee and Mr. Brown. The committee will work with the Director to set up a meeting

II. Little Valley Block Transaction - Desert Canyons Development

Mr. Pasley discussed this issue with the Board. The Board discussed this briefly. The Board asked if Mr. Curt Gordon was still on contract with the agency. Mr. Buchi stated he was not. The Board asked that staff put this company through the new tests that are in Policy 2008-01, which was approved by the Board today.

Lofgren. McKeachnie. Motion approved.

"I move that we approve this proposal."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - no
Mr. Brown - - yes	Mr. Lofgren - - yes
Mr. McKeachnie - - yes	Mr. Morris - - no

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5. Consent Calendar

a. Negotiated Sale to Nielson Construction - Carbon County, Utah

No comments were received on this item, so it is approved.

b. Negotiated Sale in Ridge Road Business Park - Carbon County, Utah

No comments were received on this item, so it is approved.

c. Other Business Arrangement - Genesis USA/Integrated Energy LLC

This item was withdrawn from the agenda and will be considered at the Board's next meeting.

d. Other Business Arrangement - Cottonwood Tract Coal Leases - - MI 51191 and
ML 51192 - - Ark Land Company

No comments were received on this item, so it is approved.

Meeting adjourned at 3:30 p.m.